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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re:

Case No. 21-10341-MLB

SOUND HOUSING, LLC,
Debtor-in-Possession.

CHAPTER 11 PLAN

SOUND HOUSING, LLC'S PLAN OF
LIQUIDATION DATED JUNE 30, 2021

PLAN OF LIQUIDATION

Sound Housing, LLC, Debtor, proposes its liquidating plan pursuant to the provision of
Chapter 11 of the Bankruptcy Code:

I. DEFINITIONS

1.1. "Allowed Claim" shall mean a Claim (a) in respect of which a proof of claim has been filed
with the court within the applicable period of limitation fixed by Bankruptcy Rule 3001; or (b)
scheduled in the List of Creditors or Schedules prepared and filed with the court pursuant to
Bankruptcy Rule 1007(b) and not listed as disputed, contingent or unliquidated as to amount, in

SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 1

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1 either case as to which no objection to the allowance thereof has been interposed within any
2 applicable period of limitation fixed by Rule 3001 or an order of the court, or as to which any
3 such objection has been determined by an order or judgment which is no longer subject to appeal
4 or certiorari proceeding and as to which no appeal or certiorari proceeding is pending.

5 1.2. "Allowed Interest" shall mean an Interest (a) in respect of which a proof of interest has been
6 filed with the court within the applicable period of limitation fixed by Rule 3001; or (b) scheduled
7 in the list of equity security holders prepared and filed with the court pursuant to Rule 1007(b),
8 in either case as to which no objection to the allowance thereof has been interposed within any
9 applicable period of limitation fixed by Rule 3001 or an order of the court, or as to which any
10 such objection has been determined by an order or judgment which is no longer subject to appeal
11 or certiorari proceeding and as to which no appeal or certiorari proceeding is pending.

12 1.3. "Allowed Secured Claim" shall mean an Allowed Claim secured by a lien, security interest
13 or other charge against or interest in property in which Debtor has an interest, or which is subject
14 to setoff under Section 553 of the Bankruptcy Code to the extent of the value (determined in
15 accordance with Section 506(a) of the Bankruptcy Code) of the interest of the holder of such
16 Allowed Claim in the Debtor's interest in such property or to the extent of the amount subject to
17 such setoff, as the case may be.

18
19 1.4. "Claim" shall mean any right to payment, or right to an equitable remedy for breach of
20 performance if such breach gives rise to a right to payment against Debtor in existence on or as
21 of the Petition Date, whether or not such right to payment or right to an equitable remedy is
22 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 2

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undisputed, legal, beneficial, secured or unsecured.

1.5. “Class” shall mean any class into which Allowed Claims or Allowed Interests are classified pursuant to Article II hereof.

1.6. “Code” shall mean the Bankruptcy Code, 11 U.S.C.A. §§ 101 et seq. and any amendments thereof.

1.7. “Confirmation Date” shall mean the date upon which the Order of Confirmation is entered by the court.

1.8. “Court” shall mean the United States Bankruptcy Court for the Western District of Washington, in which the Debtor’s Chapter 11 case, pursuant to which the Plan is proposed, is pending, and any court having competent jurisdiction to hear appeals or certiorari proceedings therefrom.

1.9. “Creditor” shall mean any person or entity that has a claim against the debtor.

1.10. “Debtor” shall mean Sound Housing, LLC.

1.11. “Effective Date” shall mean the date upon which the order of Confirmation is no longer subject to appeal or certiorari proceeding, or the date on which no such appeal or certiorari proceeding is then pending, and on which date all of the conditions to the effectiveness of the Plan expressly set forth in the Plan have been fully satisfied or effectively waived.

1.12. “Indebtedness” as applied to the Debtor shall mean:

SOUND HOUSING, LLC’S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 3

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1 (a) all indebtedness or other obligations of the Debtor for borrowed money for the deferred
2 purchase price of property or services;

3 (b) all indebtedness of the Debtor, contingent, direct or otherwise, secured (or for which the holder
4 of such indebtedness has an existing right contingent or otherwise to be secured) by any mortgage,
5 pledge, lien, security interest or vendor's interest under any conditional sale or other title retention
6 agreement existing on any property or asset owned or held by the Debtor, whether or not the
7 indebtedness secured thereby shall have been assumed by the Debtor (hereinafter "Secured
8 Indebtedness"); or

9 (c) all indebtedness of others, secured or unsecured, directly or indirectly guaranteed, endorsed,
10 or discounted with recourse by the Debtor, or in respect of which the Debtor is otherwise directly
11 or indirectly liable, including without limitation, indebtedness in effect guaranteed by the Debtor
12 through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire
13 such indebtedness or any security therefor, or to provide funds for the payment or discharge of
14 such indebtedness or of any other liability of the obligor of such indebtedness (whether in the
15 form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the
16 solvency or any balance sheet or other financial condition of the obligor of such indebtedness, or
17 to make payment for any products, materials or supplies or for any transportation or services
18 regardless of the nondelivery or nonfurnishing thereof.

19
20 1.13. "Order of Confirmation" shall mean the order entered by the court confirming the Plan in
21 accordance with the provisions of Chapter 11 of the Code which order is no longer subject to
22 appeal or certiorari proceeding or as to which no appeal or certiorari proceeding is pending.

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 4

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1.14. "Person" shall mean an individual, corporation, partnership, joint venture, trust, estate, unincorporated organization, or a government or any agency or political subdivision thereof.

1.15. "Petition Date" shall mean February 19, 2021, the date on which Debtor filed its Chapter 11 petition with the court.

1.16. "Plan" shall mean this Chapter 11 Plan, as amended in accordance with the terms hereof or modified in accordance with the Code.

1.17. "Rules" shall mean the Bankruptcy Rules, as amended and supplemented by the Interim Bankruptcy Rules (and local bankruptcy rules) as adopted by the court.

1.18. "Secured Creditor" shall mean any creditor who holds a claim against the Debtor secured by a lien, security interest or other encumbrance which has been properly attached and perfected as required by law with respect to property of the estate, or who holds a claim that is subject to setoff under 11 U.S.C.A. § 553 to the extent of the value of such creditor's interest in the estate's interest in such property, or to the extent of the amount subject to setoff, as the case may be.

II. CLASSIFICATION OF CLAIMS AND INTERESTS AND PROVISIONS FOR PAYMENT

2.1. Class 1:

(a) Costs and expenses of administration as defined in 11 U.S.C.A. § 503 for which application for allowance is made or a claim filed prior to the effective date of this plan, as the same are allowed, approved and ordered paid by the court.

SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE 30, 2021 - 5

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(b) Class 1 claims shall be paid in full on the Effective Date of the Plan or as otherwise agreed and approved by the court. Class 1 is unimpaired.

2.2. Class 2:

(a) Claims entitled to “priority,” as such term is defined in 11 U.S.C.A. § 507 as the same are allowed, approved and ordered paid by the court. The only known possible priority claims are those to the IRS.

(b) Class 2 claims for taxes shall be paid in full, together with interest thereon at the statutory rate of interest, prior to all general unsecured creditors, from the proceeds of the liquidating plan. Class 2 is impaired.

2.3. Class 3:

(a) Claims held by King County Treasury secured by a statutory lien or other encumbrance against real property in King County in which the Debtor has an interest. The only claim in class 3 is claim number 16 for \$40,921.28, secured in different amounts by the three properties in King County.

(b) Class 3 claims shall be paid in full, with interest, upon sale of each property against which they are secured. Class 3 is impaired.

2.4. Class 4:

(a) Claims held by Pierce County Treasury secured by a statutory lien or other encumbrance

1 against real property in Pierce County in which the Debtor has an interest. The only claim this
2 debt was scheduled as \$3,686.12 secured by 521 & 525 Military Rd., Tacoma WA, in Pierce
3 County.

4 (b) Class 4 claims shall be paid in full, with interest, upon the sale of this property. Class 4 is
5 impaired.

6
7 2.5. Class 5:

8 (a) Class 5 consists of the claim of FV-1, Inc. in trust for Morgan Stanley Mortgage Capital
9 Holdings LLC, claim number 8, secured in first position by 521 & 525 Military Rd., Tacoma,
10 WA, in the amount of \$329,829.28.

11
12 (b) The debtor shall seek sub-division of the property securing the class 5 claim, and the class 5
13 creditor shall maintain it's security interest in all sub-divided properties. Once the subdivision is
14 complete, the anticipated three parcels will be sold as-is, with all proceeds applied to the Class 5
15 creditor's claim, including interest. This claim shall be paid in full within 2.5 years of the effective
16 date of the plan. Class 5 is impaired.

17 2.6. Class 6:

18
19 (a) Class 6 consists of the claim of HMC Assets, LLC solely in its capacity as separate trustee of
20 CAM XI Trust, claim number 7, secured in first position by 1619 N 46th St. Seattle, in the amount
21 of \$708,130.08.

22 (b) The property securing the Class 6 creditor is currently listed for sale, under contract for

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 7

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1 \$1,065,000.00, and will be sold as-is, with all proceeds applied in lien priority, paying the Class
2 6 creditor in full. Class 6 is impaired.

3 2.7 Class 7:
4

5 (a) Class 7 consists of the claims of Kunal Ghandi (unfiled, \$80,000.00), Tsvetomir Valtchev
6 (claim number 3, \$103,500.00), and Nikolai Berezansky (claim number 4 \$194,750.00), secured
7 in second position by 1619 N 46th St. Seattle, with a fractional deed of trust, and secured in third
8 position by 1800 18th Avenue S., Seattle, with a different fractional deed of trust.

9 (b) The properties securing the Class 7 creditors are currently listed for sale, and will be sold as-
10 is, with all proceeds applied in lien priority, and all proceeds after senior secured claims going to
11 pay Class 7 creditors pro-rata. To the extent their claims are not fully satisfied by the sale of one
12 property, Class 7 creditors will be paid through the sale of the second property. Class 7 is
13 impaired.

14 2.8 Class 8:
15

16 (a) Class 8 consists of the claim of 1Sharpe Opportunity Fund, claim number 13, secured in first
17 position by 1800 18th Avenue S. Seattle, in the amount of \$471,525.00.

18 (b) The property securing the Class 8 creditor is currently under contract to sell for \$735,000.00,
19 and will be sold as-is, with all proceeds applied in lien priority, paying the Class 8 creditor in full.
20 Class 8 is impaired.

21 2.9 Class 9:
22

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 8

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1 (a) Class 9 consists of the claim of Jeffrey Marks, claim number 10, secured in second position
2 by 1800 18th Avenue S. Seattle, in the amount of \$64,432.83.

3 (b) The property securing the Class 9 creditor is currently under contract to sell for \$735,000.00,
4 and will be sold as-is, with all proceeds applied in lien priority, paying the Class 9 creditor in full.
5 Class 9 is impaired.

6
7 2.10: Class 10

8 (a) Class 10 consists of the claims of Julia Schwarz (claim 11, \$78,542.46), Edmund Tee (claim
9 12, \$70,688.22), Nina Chyi Liong (unfiled, \$70,000.00), and Gleb Kholodov (unfiled,
10 \$70,000.00), secured by the same fractional deed of trust in first position by 13328 132nd Avenue
11 NE, Kirkland WA 98034.

12 (b) Within 3 months of the effective date, the Debtor shall employ professionals to obtain LSM
13 (Land Surface Modification) Permits from the City of Kirkland, at an anticipated cost of
14 \$20,000.00. The property securing the Class 10 creditors will then be listed for sale, with a sale
15 to be completed no later than 2.5 years after the effective date, paying Class 10 creditors in full.
16 Class 10 is impaired.

17
18 2.11: Class 11

19 (a) Class 11 consists of the claims of Joelle Abramowitz (claim 6, \$66,553.00) and Nikolai
20 Berezansky (claim 4, this portion for \$195,750.00) secured by the same fractional deed of trust
21 in second position by 13328 132nd Avenue NE, Kirkland WA 98034.

22
23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 9

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(b) Within 3 months of the effective date, the Debtor shall employ professionals to obtain LSM (Land Surface Modification) Permits from the City of Kirkland, at an anticipated cost of \$20,000.00. The property securing the Class 11 creditors will then be listed for sale, with a sale to be completed no later than 2.5 years after the effective date, paying Class 11 creditors any remaining funds after senior secured claims. Any portion of their claims remaining unpaid shall be treated as general unsecured creditors in class 13. Class 11 is impaired.

2.12: Class 12

(a) Class 12 includes the judgment liens of Joelle Abramowitz (claim 6, for \$66,553.00) and Ezra Investments, LLC (claim 15, for \$674,942.59).

(b) The Debtor intends to file motions to avoid the secured claims of Class 12 creditors, and they shall be allowed only as general unsecured claims or as claims secured by perfected deeds of trust. Class 12 is impaired.

2.13: Class 13

(a) Class 13 claims shall include all General Unsecured Claims. This includes unsecured claims of creditors whose claims arose from any deficiency obligation of Debtor remaining after sale or other disposition of any and all collateral in which Debtor formerly had an interest. Class 13 also includes the unsecured claims of Class 12 creditors.

(b) Class 13 claims shall be paid pro-rata from surplus proceeds of all real estate sales, and from the remaining cash on hand after the payment of all claims in classes 1-12. Class 13 claims shall

1 be entitled to the contractual rate of interest if the estate generates sufficient proceeds. Class 13
2 is impaired.

3 2.14: Class 14

4
5 (a) Class 14 claims shall include all claims held by any owner of the debtor, including owner
6 loans.

7 (b) Any remaining proceeds after the complete liquidation of the company and payment of all
8 claims in classes 1-13 and any other taxes shall be distributed to the owners of Sound Housing,
9 LLC pursuant to the membership agreement. Class 14 is an insider class not entitled to vote.

10 **III. MISCELLANEOUS MATTERS**

11
12 3.1. Rejection of executory contracts.

13 All executory contracts and unexpired leases of the Debtor not previously assumed or rejected
14 under 11 U.S.C.A. § 365 with approval of this court, are hereby expressly rejected. Any Claim
15 for damages allegedly suffered or incurred by any person or entity who is a party to such rejected
16 contracts or leases shall file a proof of Claim herein within 60 (sixty) days after the Effective Date
17 of this Plan, and such Claim shall be treated as provided for in Class 13.

18
19 Means for execution of the Plan.

20
21 3.2. The Debtor shall liquidate property held by two closely held entities: SH & VS Holdings,
22 LLC (in which the debtor has a 44% interest), which owns 6200 Rainier Ave. S., Seattle, WA,

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 11

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1 and is currently under contract to sell for \$1,210,000.00, with closing anticipated prior to approval
2 of the disclosure statement, and Stark Snow, LLC (100% debtor owned) which owns 3805 and
3 3807 Aurora Avenue N, Seattle, which is in the process of being listed for sale. The proceeds of
4 these sales that flow to the debtor shall be used to fund the plan, including the subdivision work
5 anticipated on the Tacoma property, the permitting needed on the Kirkland property, and the
6 ongoing payment of taxes and class 1 professional fees. If any of the sales currently under contract
7 fail to close, that property shall be immediately re-listed for sale to execute the plan. In addition,
8 **any sales pursuant to the plan shall be exempt of real estate excise tax pursuant to 11 USC**
9 **§ 1146(a).**

10 3.3. Objections to claims.

11 The Debtor shall review all claims in this case and shall file any objections as are deemed
12 appropriate in writing on or before a date 60 days after the Effective Date of this Plan.

13 3.4. Avoidance actions.

14 The Debtor will bring such avoidance and recovery actions under the Bankruptcy Code as are
15 warranted on or before a date 60 days after the Effective Date of this Plan. Creditors and equity
16 holders having the right to vote for or against confirmation of this Plan are advised that such suits
17 may be brought against any prepetition creditor or equity holder as are warranted by the facts of
18 each case, and are unaffected by whether a prospective party voted in favor of or against this Plan.

19 3.5. Disbursing agent.

20 The disbursing agent who shall be appointed and authorized to make all disbursements and
21 payments required by this Plan is Tatiana Gershanovich, managing member of the debtor. The
22

23 SOUND HOUSING, LLC'S PLAN OF LIQUIDATION DATED JUNE
30, 2021 - 12

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disbursements hereunder shall be made by checks drawn on the accounts of the Debtor.

3.6. Retention of jurisdiction.

The court shall retain jurisdiction until this Plan is fully consummated, specifically including, but not limited to, jurisdiction to determine all objections that may be filed to claims of creditors herein; to determine any and all suits to recover or avoid transfers of property under any provision of the Bankruptcy Code; to fix and award compensation to parties who may be so entitled; to hear and determine all questions concerning the assets or property of the Debtor, including any questions relating to any sums of money, services or property due to the Debtor; and to determine all matters of any nature or type necessary or appropriate to carry out the provisions of this Plan.

Dated this 30th day of June, 2021.

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